

STATEMENT OF PURPOSE

RS18694C1

This legislation provides technical corrections to Section 63-3029 which prescribes how credits are given for taxes paid in other states. Until recently, the Tax Commission has allowed a resident trust or estate that has an income tax liability separate from its beneficiaries to utilize this credit. However, the Tax Commission has reversed its position on this issue because Section 63-3029 does not specifically mention trusts and estates. This new interpretation often results in double taxation to a trust or estate which has income in other states that is subject to the other states' income tax. This legislation would remedy that problem by specifically extending the credit to trusts and estates. This correction is necessary to avoid double taxation and prevent constitutional challenges that could result from such taxation.

FISCAL NOTE

Although this legislation will not decrease tax revenues in comparison to prior years, the Tax Commission estimates that the state would have collected approximately \$500,000 additional income taxes had it been allowed to implement its new interpretation.

Contact:

Name: Senator Brent Hill

Office:

Phone: (208) 332-1316